

## Tariff Rate Quotas

On the surface, TRQs pose a paradox in that they cover only 6 percent or a small set of tariff-lines and are used by only 35 of 113 countries in this study, but are perceived to play an important role in agricultural protection. TRQs began as an instrument to provide limited market access for sensitive commodities because countries were worried that tariffication in the URAA would lead to extremely high tariffs. The use of TRQs in most regions makes them a factor in trade around the globe. TRQs were scheduled by countries in all regions reviewed in this report except for South Asia and Sub-Saharan Africa. Table 3 lists the countries that use TRQs, and these countries include the largest agricultural importing members of the WTO. Appendix tables 1 and 2 contain average tariffs by region and by chapter

of the harmonized system and show that TRQs exist across all commodity groups.

Some notable differences across TRQs show that while the problem touches most regions and commodities, the role of TRQs varies significantly. Some regions, such as Eastern Europe, scheduled TRQs for products in most commodity groups (see appendix tables 1 and 2). A more common practice was to schedule TRQs for a subset of specific, narrowly defined commodities or sub-commodities. Looking across commodities, in all regions with TRQs, at least one country scheduled TRQs for meats; dairy; cereals; and preparations of vegetables, fruits, nuts, or other parts of plants. The prevalence of TRQs in the sensitive sectors of meats, dairy, and cereals provides at least a partial explanation for their importance in trade policy discussions.

**Table 3—Despite small share of total tariff-lines, TRQs affect average tariffs<sup>1</sup>**

Country	Tariff (all lines)	In-quota tariff (TRQ lines)	Over-quota tariff (TRQ lines)	Tariff-lines without TRQs	Tariff-lines with in-quota tariffs	Tariff-lines with over- quota tariffs	TRQ lines as percentage of total
	----- Average -----			----- Number -----			Percent
Average for table	49	63	128	--	--	--	23
Total for table	--	--	--	27,447	4,993	4,972	--
Australia	4	10	25	785	11	9	2
Barbados	102	141	114	607	37	109	19
Botswana	39	20	69	296	72	178	46
Brazil	37	7	42	1415	4	4	1
Canada	23	3	139	1020	141	151	22
Colombia	87	132	137	234	75	67	38
Costa Rica	42	44	68	669	73	86	19
Czech Republic	12	28	48	1728	46	246	14
Ecuador	26	30	43	887	18	22	4
El Salvador	41	25	75	670	37	89	16
European Union	30	17	78	1593	333	284	28
Guatemala	49	32	118	699	31	106	16
Hungary	29	26	40	495	86	416	50
Iceland	113	49	181	717	524	417	57
Indonesia	48	65	179	1,318	2	13	1
Israel	75	79	151	877	23	37	6
Japan	58	22	422	1181	188	122	21
Korea, Republic of	66	19	314	1134	195	173	25
Malaysia	25	106	248	1238	73	71	10
Mexico	43	48	148	882	69	68	13
Morocco	65	148	115	1205	30	279	20
New Zealand	7	0	7	979	4	4	1
Nicaragua	61	44	71	671	17	29	6
Norway	142	262	203	722	368	502	55
Panama	43	15	83	181	57	56	38
Philippines	34	40	36	680	15	67	11
Poland	48	31	59	73	169	258	85
Slovak Republic	13	30	42	798	40	177	21
Slovenia	51	17	71	160	33	33	29
South Africa	39	20	69	296	72	178	46
Switzerland	120	75	210	854	236	395	42
Thailand	35	27	91	683	35	54	12
Tunisia	110	26	109	286	14	43	17
United States	12	10	52	1198	190	182	24
Venezuela	52	37	101	216	62	63	37

-- = Not applicable.

<sup>1</sup>Tariffs are bound MFN rates based on final URAA implementation  
Source: Economic Research Service, USDA.

## High Tariffs Characterize TRQs

Many of the high over-quota tariffs for TRQs appear to reflect countries' objectives to protect sensitive agricultural sectors. The average over-quota tariff for TRQ lines is 128 percent (table 3). The average over-quota tariff for 25 of the countries is higher than the 62-percent average for all tariffs. Of this group, the average over-quota tariff of 8 countries is between 100 and 150 percent. Over-quota rates of 6 countries are between 150 and 250 percent, and 2 countries, Japan and Korea, schedule over-quota rates that average above 300 percent.

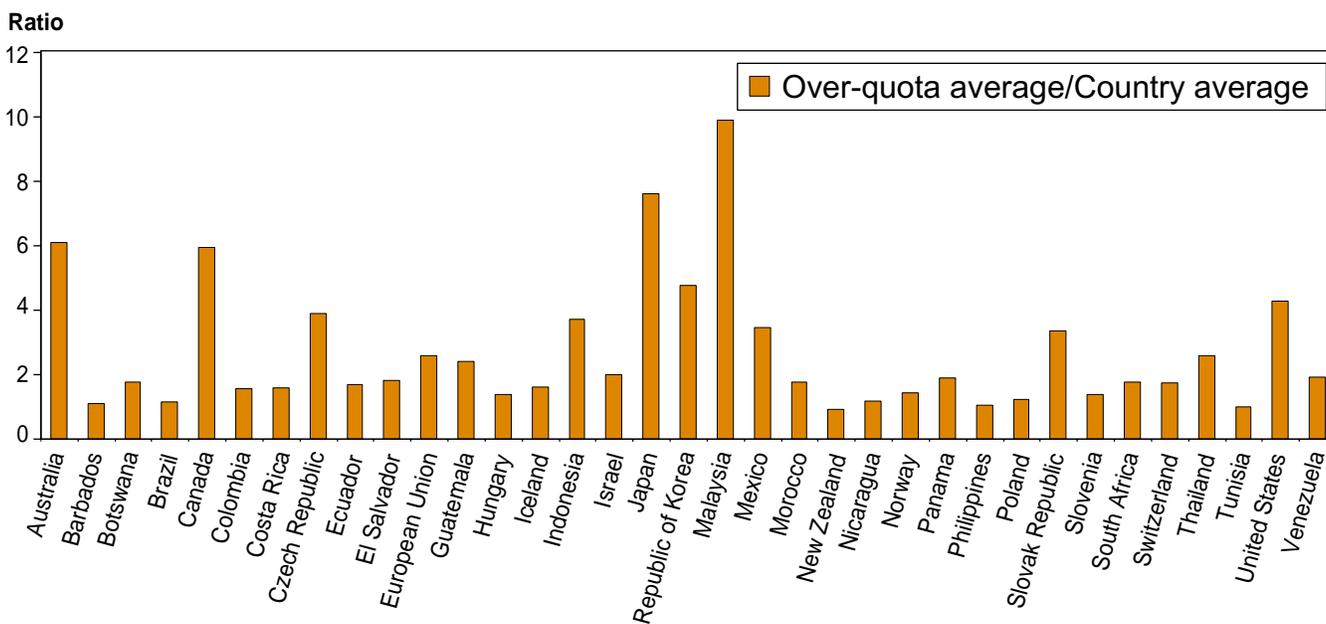
At 63 percent, the average in-quota tariff equals approximately the overall average tariff of 62 percent. In general, WTO members scheduled in-quota tariff rates at less than 50 percent. However, eight WTO members set in-quota tariffs over the global average tariff of 62 percent: Norway, Morocco, Barbados, Colombia, Malaysia, Israel, Switzerland, and Indonesia. Of this group, most scheduled in-quota tariffs between 65-150 percent. Although in-quota tariffs were designed to provide market access for a limited quantity of imports at relatively low tariffs, table 3

shows that, in practice, in-quota tariffs were also scheduled at very high levels.<sup>9</sup>

The ratio of the average tariff for all tariff-lines compared with the average for only the over-quota TRQ lines supports the expectation that TRQs generally protect sensitive sectors. Figure 6 shows the ratio of the average tariff for all lines to the average tariff for over-quota TRQ lines. In 14 countries, the average tariff for the TRQ lines is at least twice that for all lines. Three countries stand out with rates more than six times that of the average for all lines. Australia, with one of the overall lowest tariff averages, has a small number of TRQs that protect the dairy sector. Canada's TRQs protect mainly the dairy and poultry sectors and have an average over-quota tariff of 139 percent, although very low in-quota tariffs. Not surprising, with the highest average over-quota rate at 388 percent, Japan's over-quota rate is seven times higher than its overall average. While potentially posing a barrier to its markets, Japan's in-quota average of 22 percent represents a small fraction of the over-quota rate.

<sup>9</sup> See analysis in Burfisher et al., for analysis of administration of TRQs and the possible role of in-quota tariffs.

Figure 6  
TRQs are associated with high over-quota tariffs<sup>1</sup>



<sup>1</sup>Tariffs are bound MFN rates based on final URAA implementation.

Source: Economic Research Service, USDA